

LYNNVILLE-SULLY COMMUNITY SCHOOL DISTRICT

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS**

June 30, 2011

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**Lynnville-Sully Community School District
Board of Education and School District Officials
Year Ended June 30, 2011**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Tim Dunsbergen	President	2013
Michael Rozendaal	Vice President	2013
Daniel Cross	Board Member	2011
Matt James	Board Member	2011
John Terpstra	Board Member	2011
School District Officials		
Shane Ehresman	Superintendent	2011
Karla De Cook	Business Manager/District Secretary	2011
Kyle Terpstra	District Treasurer	2011
Brian Gruhn	Attorney	2011



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Van Maanen, Sietstra & Meyer, PC
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Education
Lynnvile-Sully Community School District
Sully, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Lynnvile-Sully Community School District, Sully, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Lynnvile-Sully Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2011 on our consideration of Lynnvile-Sully Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 11 and 36 through 38 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lynnville-Sully Community School District's basic financial statements. Another CPA firm previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ending June 30, 2005 and we audited the financial statements for the five years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Van Maanen, Sietstra & Meyer, PC

Van Maanen, Sietstra & Meyer, PC
Certified Public Accountants

October 3, 2011

The Lynnville-Sully Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,359,240 in fiscal 2010 to \$4,708,516 in fiscal 2011, while General Fund expenditures decreased from \$4,504,870 in fiscal 2010 to \$4,321,343 in fiscal 2011. The District's General Fund balance increased from \$313,861 in fiscal 2010 to \$701,034 in fiscal 2011, a 123% increase.
- The increase in General Fund revenues was attributable to ARRA funds and a cash reserve levy received. The decrease in expenditures was due primarily to imposed budget cuts and attrition.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Lynnville-Sully Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Lynnville-Sully Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Lynnville-Sully Community School District acts solely as an agent or custodian for the benefit of those outside of the district.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

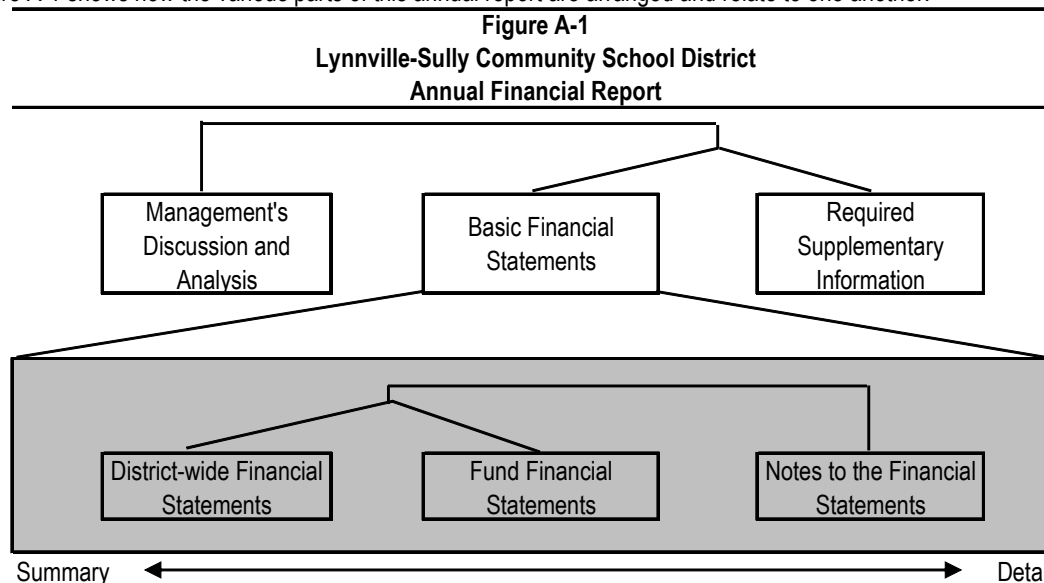


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services
Required Financial Statements	* Statement of net assets * Statement of activities	* Balance Sheet * Statement of revenues, expenditures, and changes in fund balances	* Statement of net assets * Statement of revenues, expenses and changes in fund net assets * Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The district has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

**Lynnville-Sully Community School District
Management's Discussion and Analysis
Year ended June 30, 2011**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2011 compared to June 30, 2010.

Figure A-3							
Condensed Statement of Net Assets							
(Expressed in Thousands)							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Current and other assets	\$ 4,580	4,569	52	61	4,632	4,630	0.0%
Capital assets	5,672	5,163	25	9	5,697	5,172	10.2%
Total assets	10,252	9,732	77	70	10,329	9,802	5.4%
Long-term liabilities	3,495	3,588	-	-	3,495	3,588	-2.6%
Other liabilities	2,802	3,031	-	-	2,802	3,031	-7.6%
Total liabilities	6,297	6,619	-	-	6,297	6,619	-4.9%
Net assets:							
Invested in capital assets, net of related debt	2,247	1,643	25	9	2,272	1,652	37.5%
Restricted	1,164	1,238	-	-	1,164	1,238	-6.0%
Unrestricted	544	232	52	61	596	293	103.4%
Total net assets	\$ 3,955	3,113	77	70	4,032	3,183	26.7%

The District's combined net assets increased by nearly 26.7%, or approximately \$849,000, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased approximately \$74,000, or 6.0% from the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$303,000 or 103.4%. This increase in unrestricted net assets was primarily a result of a cash reserve levy.

**Lynnville-Sully Community School District
Management's Discussion and Analysis
Year ended June 30, 2011**

Figure A-4 shows the change in net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-4 Changes in Net Assets (Expressed in Thousands)							
	Governmental Activities		Business type Activities		Total District		Total Change
	Year ended June 30,		Year ended June 30,		Year ended June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Revenues:							
Program revenues:							
Charges for service	\$ 689	697	189	181	878	878	0.0%
Operating grants, contributions and restricted interest	811	1,016	80	67	891	1,083	-17.7%
General revenues:							
Property tax	2,175	1,955	-	-	2,175	1,955	11.3%
Statewide sales, service and use tax	368	266	-	-	368	266	38.3%
Unrestricted state grants	1,419	1,328	-	-	1,419	1,328	6.9%
Unrestricted investment earnings	11	23	-	-	11	23	-52.2%
Other	636	51	-	-	636	51	1147.1%
Total revenues	6,109	5,336	269	248	6,378	5,584	14.2%
Program expenses:							
Governmental activities:							
Instruction	3,358	3,521	-	-	3,358	3,521	-4.6%
Support services	1,488	1,498	-	-	1,488	1,498	-0.7%
Non-instructional programs	1	1	262	250	263	251	4.8%
Other expenses	420	806	-	-	420	806	-47.9%
Total expenses	5,267	5,826	262	250	5,529	6,076	-9.0%
Change in net assets	\$ 842	(490)	7	(2)	849	(492)	-272.6%

In fiscal 2011, property tax and unrestricted state grants account for 59% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 100% of the revenue from business type activities. The District's expenses primarily relate to instruction and support services, which account for 86% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$5,851,502 and expenses were \$5,267,292.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-5 Total and Net Cost of Governmental Activities (Expressed in Thousands)						
	Total Cost of Services		Change	Net Cost of Services		Change
	2011	2010	2010-2011	2011	2010	2010-2011
Instruction	\$ 3,358	3,521	-4.6%	\$ 2,073	2,010	3.1%
Support services	1,488	1,498	-0.7%	1,456	1,482	-1.8%
Non-instructional programs	1	1	0.0%	1	1	0.0%
Other expenses	420	806	-47.9%	237	621	-61.8%
Totals	\$ 5,267	5,826	-9.6%	\$ 3,767	4,114	-8.4%

**Lynnville-Sully Community School District
Management's Discussion and Analysis
Year ended June 30, 2011**

For the year ended June 30, 2011:

- The cost financed by users of the District's programs was \$3,767,490.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$810,809.
- The net cost of governmental activities was financed with \$2,543,681 in property and other taxes and \$1,418,535 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2011 were \$268,960 representing a 8.7% increase over the prior year, while expenses totaled \$262,106, a 4.8% increase over the prior year. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Lynnville-Sully Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,757,891 up from last year's ending fund balances of \$1,523,190.

Governmental Fund Highlights

- The General Fund balance increased from \$313,861 to \$701,034 due in part to the cash reserve levy.
- The Physical Plant and Equipment Levy (PEEL) Fund balance decreased from a balance of \$130,251 in fiscal 2010 to a balance of \$113,433 in fiscal 2011.
- The Capital Projects Fund balance decreased from \$1,038,285 in fiscal 2010 to \$892,788 in fiscal 2011.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$69,777 at June 30, 2010 to \$76,631 at June 30, 2011, representing an increase of approximately 9.8%.

BUDGETARY HIGHLIGHTS

The District's receipts were \$93,031 higher than budgeted, a variance of 1.5%. The most significant variance resulted from the District receiving more in donations.

Total expenditures were less than budgeted, due primarily to the District's budget for the instruction and support services.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested \$5.7 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$303,272.

The original cost of the District's capital assets was approximately \$10.2 million. Governmental funds account for approximately \$10 million, with the remainder of approximately \$0.2 million accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the buildings category. The District's buildings totaled \$8,057,081 at June 30, 2011, compared to \$6,821,283 at June 30, 2010.

**Lynnville-Sully Community School District
Management's Discussion and Analysis
Year ended June 30, 2011**

**Figure A-6
Capital Assets, net of Depreciation
(Expressed in Thousands)**

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Land	\$ 116	116	-	-	116	116	0.0%
Construction in progress	-	423	-	-	-	423	
Buildings	5,051	4,044	-	-	5,051	4,044	24.9%
Improvements other than buildings	142	148	-	-	142	148	-4.1%
Furniture and equipment	363	432	25	9	388	441	-12.0%
Totals	\$ 5,672	5,163	25	9	5,697	5,172	10.2%

Long-Term Debt

At June 30, 2011 the District had \$3,495,000 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 2.6% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

**Figure A-7
Outstanding Long-Term Obligations
(Expressed in Thousands)**

	Total District		Total Change
	June 30,		June 30,
	2011	2010	2010-2011
General obligation bonds	\$ 1,970	2,065	-4.6%
Revenue bonds	1,455	1,455	-
Early retirement	70	68	2.9%
Totals	\$ 3,495	3,588	-2.6%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

- The district expects a slight decrease in enrollment due to incoming classes being smaller than the upcoming graduating classes.
- The district is researching the feasibility of 1 to 1 computing. If implemented, it will be paid for using a combination of resources from the general fund, sales tax fund and physical plant and equipment fund.
- The district will negotiate a new agreement with the LSEA for fiscal year 2012-2013. Settlements in excess of "new money" or allowable growth in state funding will have an adverse effect on the District's general fund budget and related fund balance.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Karla De Cook, District Secretary/Treasurer and Business Manager, Lynnville-Sully Community School District, Sully, Iowa, 50251.

Basic Financial Statements

Lynnville-Sully Community School District
Statement of Net Assets
June 30, 2011

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,950,430	46,066	1,996,496
Receivables:			
Property tax:			
Delinquent	15,015	-	15,015
Succeeding year	2,049,485	-	2,049,485
Income surtax	205,213	-	205,213
Accounts	3,611	-	3,611
Due from other governments	343,344	-	343,344
Inventories	-	5,660	5,660
Bond issuance costs, net of accumulated amortization	12,478	-	12,478
Capital assets, net of accumulated depreciation	5,672,528	24,905	5,697,433
Total assets	10,252,104	76,631	10,328,735
Liabilities			
Accounts payable	42,550	-	42,550
Salaries and benefits payable	386,615	-	386,615
Accrued interest payable	33,046	-	33,046
Unearned revenue:			
Succeeding year property tax	2,049,485	-	2,049,485
Income surtax	205,213	-	205,213
Other	85,344	-	85,344
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	180,000	-	180,000
Revenue bonds	50,000	-	50,000
Early retirement	40,000	-	40,000
Portion due after one year:			
General obligation bonds	1,790,000	-	1,790,000
Revenue bonds	1,405,000	-	1,405,000
Early retirement	30,000	-	30,000
Total liabilities	6,297,253	-	6,297,253
Net assets			
Invested in capital assets, net of related debt	2,247,528	24,905	2,272,433
Restricted for:			
Categorical funding	130,304	-	130,304
Management levy purposes	-	-	-
Physical plant and equipment levy	113,433	-	113,433
Capital projects	655,886	-	655,886
Student activities	152,264	-	152,264
Debt service	111,739	-	111,739
Unrestricted	543,697	51,726	595,423
Total net assets	\$ 3,954,851	76,631	4,031,482

See notes to financial statements.

Lynnville-Sully Community School District
Statement of Activities
Year ended June 30, 2011

	Program Revenues			Net (Expense) Revenue & Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business type Activities	Total
Functions/Programs						
Governmental activities:						
Instruction:						
Regular instruction	\$ 1,995,436	330,016	354,260	(1,311,160)	-	(1,311,160)
Special instruction	690,713	70,422	232,652	(387,639)	-	(387,639)
Other instruction	671,814	288,555	9,253	(374,006)	-	(374,006)
	<u>3,357,963</u>	<u>688,993</u>	<u>596,165</u>	<u>(2,072,805)</u>	<u>-</u>	<u>(2,072,805)</u>
Support Services:						
Student	95,986	-	-	(95,986)	-	(95,986)
Instructional staff	142,231	-	-	(142,231)	-	(142,231)
Administration	580,201	-	-	(580,201)	-	(580,201)
Operating and maintenance of plant	365,046	-	-	(365,046)	-	(365,046)
Transportation	305,071	-	31,829	(273,242)	-	(273,242)
	<u>1,488,535</u>	<u>-</u>	<u>31,829</u>	<u>(1,456,706)</u>	<u>-</u>	<u>(1,456,706)</u>
Non-instructional programs	<u>1,144</u>	<u>-</u>	<u>-</u>	<u>(1,144)</u>	<u>-</u>	<u>(1,144)</u>
Other expenditures:						
Facilities acquisition	45,598	-	-	(45,598)	-	(45,598)
Long-term debt interest	191,237	-	-	(191,237)	-	(191,237)
AEA flowthrough	182,815	-	182,815	-	-	-
	<u>419,650</u>	<u>-</u>	<u>182,815</u>	<u>(236,835)</u>	<u>-</u>	<u>(236,835)</u>
Total governmental activities	<u>5,267,292</u>	<u>688,993</u>	<u>810,809</u>	<u>(3,767,490)</u>	<u>-</u>	<u>(3,767,490)</u>
Business type activities:						
Non-instructional programs:						
Food service operations	262,106	189,337	79,508	-	6,739	6,739
	<u>262,106</u>	<u>189,337</u>	<u>79,508</u>	<u>-</u>	<u>6,739</u>	<u>6,739</u>
Total primary government	<u>\$ 5,529,398</u>	<u>878,330</u>	<u>890,317</u>	<u>(3,767,490)</u>	<u>6,739</u>	<u>(3,760,751)</u>

Exhibit B

Lynnville-Sully Community School District
Statement of Activities
Year ended June 30, 2011

	Program Revenues			Net (Expense) Revenue & Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business type Activities	Total
Totals continued from previous pages	\$ 5,529,398	878,330	890,317	(3,767,490)	6,739	(3,760,751)
General Revenues:						
Property tax levied for:						
General purposes				2,027,194	-	2,027,194
Debt service				40,137	-	40,137
Capital outlay				107,992	-	107,992
Statewide sales, services and use tax				368,358	-	368,358
Unrestricted state grants				1,418,535	-	1,418,535
Unrestricted investment earnings				10,506	115	10,621
Other				131,150	-	131,150
Contributions not restricted to specific programs				247,828	-	247,828
Proceeds from sale of assets				7,650	-	7,650
Casualty loss insurance proceeds				249,405	-	249,405
Total general revenues				4,608,755	115	4,608,870
Change in net assets				841,265	6,854	848,119
Net assets beginning of year, as restated				3,113,586	69,777	3,183,363
Net assets end of year				\$ 3,954,851	76,631	4,031,482

See notes to financial statements.

Exhibit C

Lynnville-Sully Community School District
Balance Sheet
Governmental Funds
June 30, 2011

	General	Debt Service	Capital Projects	Non-major	Total
Assets					
Cash and pooled investments	\$ 933,375	21,009	809,356	186,690	1,950,430
Receivables:					
Property tax:					
Current year delinquent	13,721	307	413	574	15,015
Succeeding year	1,721,361	139,105	109,019	80,000	2,049,485
Income surtax	153,910	-	51,303	-	205,213
Accounts	-	-	-	3,611	3,611
Due from other governments	257,795	-	85,549	-	343,344
Total assets	\$ 3,080,162	160,421	1,055,640	270,875	4,567,098
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 33,631	-	2,530	6,389	42,550
Salaries and benefits payable	384,882	-	-	1,733	386,615
Early retirement payable	-	-	-	40,000	40,000
Deferred revenue:					
Succeeding year property tax	1,721,361	139,105	109,019	80,000	2,049,485
Income surtax	153,910	-	51,303	-	205,213
Other	85,344	-	-	-	85,344
Total liabilities	2,379,128	139,105	162,852	128,122	2,809,207
Fund balances:					
Restricted for:					
Categorical funding	130,304	-	-	-	130,304
Debt service	-	21,316	123,469	-	144,785
Management levy purposes	-	-	-	-	-
Student activities	-	-	-	152,264	152,264
School infrastructure	-	-	655,886	-	655,886
Physical plant and equipment	-	-	113,433	-	113,433
Unassigned	570,730	-	-	(9,511)	561,219
Total fund balances	701,034	21,316	892,788	142,753	1,757,891
Total liabilities and fund balances	\$ 3,080,162	160,421	1,055,640	270,875	4,567,098

See notes to financial statements.

Exhibit D

**Lynnville-Sully Community School District
Reconciliation of the Balance Sheet
Governmental Funds to the Statement of Net Assets
June 30, 2011**

Total fund balances of governmental funds (Exhibit C)	\$ 1,757,891
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***Amounts reported for governmental activities in the
statement of net assets are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	5,672,528
--	-----------

Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(33,046)
--	----------

Long-term liabilities, including bonds payable, bond issuance costs, early retirement and other postemployment benefits are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(3,442,522)</u>
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Net assets of governmental activities (Exhibit A)	<u>\$ 3,954,851</u>
--	----------------------------

See notes to financial statements.

Exhibit E

Lynnville-Sully Community School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2011

	General	Debt Service	Capital Projects	Non-major	Total
Revenues:					
Local sources:					
Local tax	\$ 1,952,250	40,137	476,350	74,944	2,543,681
Tuition	388,430	-	-	-	388,430
Other	130,169	1,572	242,461	315,107	689,309
State sources	2,070,079	16	21	28	2,070,144
Federal sources	159,938	-	-	-	159,938
Total revenues	4,700,866	41,725	718,832	390,079	5,851,502
Expenditures:					
Current:					
Instruction:					
Regular	1,862,913	-	-	57,979	1,920,892
Special	651,363	-	-	-	651,363
Other	323,517	-	-	304,456	627,973
	2,837,793	-	-	362,435	3,200,228
Support services:					
Student	66,844	-	-	774	67,618
Instructional staff	86,848	-	680	546	88,074
Administration	571,134	-	-	4,033	575,167
Operation and maintenance of plant	326,305	-	5,565	30,617	362,487
Transportation	249,604	-	4,293	12,940	266,837
	1,300,735	-	10,538	48,910	1,360,183
Non-instructional programs	-	-	-	1,144	1,144
Other expenditures:					
Facilities acquisition	-	-	858,020	-	858,020
Long-term debt:					
Principal	-	2,065,000	-	-	2,065,000
Interest and fiscal charges	-	165,532	345	-	165,877
AEA flowthrough	182,815	-	-	-	182,815
	182,815	2,230,532	858,365	-	3,271,712
Total expenditures	4,321,343	2,230,532	868,903	412,489	7,833,267
Excess (deficiency) of revenues over (under) expenditures	379,523	(2,188,807)	(150,071)	(22,410)	(1,981,765)
Other financing sources (uses):					
General obligation bonds issued	-	1,970,000	-	-	1,970,000
Bond issuance costs	-	(12,689)	-	-	(12,689)
Proceeds from sale of assets	7,650	-	-	-	7,650
Casualty loss insurance proceeds	-	-	249,405	-	249,405
Operating transfers in (out)	-	244,831	(244,831)	-	-
Total other financing sources	7,650	2,202,142	4,574	-	2,214,366
Net change in fund balances	387,173	13,335	(145,497)	(22,410)	232,601
Fund balances beginning of year, as restated	313,861	7,981	1,038,285	165,163	1,525,290
Fund balances end of year	\$ 701,034	21,316	892,788	142,753	1,757,891

See notes to financial statements.

Lynnville-Sully Community School District
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds to the Statement of Activities
Year ended June 30, 2011

Net change in fund balances - total governmental funds (Exhibit E) **\$ 232,601**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 812,422	
Depreciation expense	<u>(303,272)</u>	509,150

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

GO bonds issued	(1,970,000)	
GO bonds repaid	2,065,000	
Bond issuance costs	12,689	
Amortization of bond issuance costs	<u>(211)</u>	107,478

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

(25,149)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement	20,000	
Other postemployment benefits	<u>(2,815)</u>	17,185

Change in net assets of governmental activities (Exhibit B) **\$ 841,265**

See notes to financial statements.

Exhibit G

Lynnville-Sully Community School District
Statement of Net Assets
Proprietary Fund
June 30, 2011

	School Nutrition
Assets	
Current assets:	
Cash and cash equivalents	\$ 46,066
Inventories	5,660
Total current assets	<u>51,726</u>
Non-current assets:	
Property and equipment:	
Machinery and equipment	174,455
Accumulated depreciation	<u>(149,550)</u>
Total non-current assets	<u>24,905</u>
Total assets	<u><u>76,631</u></u>
 Net Assets	
Invested in capital assets, net of related debt	24,905
Unrestricted	<u>51,726</u>
 Total net assets	 <u><u>\$ 76,631</u></u>

See notes to financial statements.

Exhibit H

Lynnville-Sully Community School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund
Year ended June 30, 2011

	School Nutrition
Operating revenue:	
Local sources:	
Charges for services	\$ 189,337
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	101,581
Benefits	30,435
Purchased services	4,400
Supplies	122,030
Depreciation	3,430
Other	230
Total operating expenses	262,106
Operating loss	(72,769)
Non-operating revenue:	
Interest income	115
State sources	2,106
Federal sources	77,402
Total non-operating revenue	79,623
Change in net assets	6,854
Net assets beginning of year	69,777
Net assets end of year	\$ 76,631

See notes to financial statements.

Exhibit I

Lynnville-Sully Community School District
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2011

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 189,337
Cash payments to employees for services	(131,831)
Cash payments to suppliers for goods or services	(109,773)
Net cash used by operating activities	(52,267)
Cash flows from non-capital financing activities:	
State grants received	2,106
Federal grants received	58,954
Net cash provided by non-capital financing activities	61,060
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(19,452)
Cash flows from investing activities:	
Interest on investments	115
Net decrease in cash and cash equivalents	(10,544)
Cash and cash equivalents at beginning of year	56,610
Cash and cash equivalents at end of year	\$ 46,066
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (72,769)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	18,448
Depreciation	3,430
(Increase) in inventories	(972)
Increase in other postemployment benefits	185
(Decrease) in accounts payable	(589)
Net cash used by operating activities	\$ (52,267)
Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:	
Current assets:	
Cash	\$ 46,066
Cash and cash equivalents at year end	\$ 46,066

Non-cash investing, capital and financing activities:

During the year ended June 30, 2011, the District received federal commodities valued at \$18,448.

See notes to financial statements.

(1) **Summary of Significant Accounting Policies**

Lynnvile-Sully Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Lynnvile, Sully, Searsboro and Killduff, Iowa and the predominate agricultural territory in Jasper, Poweshiek and Mahaska counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Lynnvile-Sully Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The Lynnvile-Sully Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Jasper County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

Governmental Fund Types: Governmental fund types are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

General Fund: The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

Debt Service Fund: The Debt Service Fund is utilized to account for Property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

Capital Projects Fund: The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The other governmental funds of the District are considered non-major and are as follows:

Special Revenue Funds: The Special Revenue Funds account for the revenue sources that are legally restricted to expenditures for specific purposes. These funds consist of the following:

Student Activity Funds: This fund accounts for transactions that occur due to student-related activities from groups and organizations such as athletic and activity events, fundraising and other extra-curricular or co-curricular activities.

Management Fund: This fund is authorized by Iowa Code Section 298.4 and accounts for transactions related to unemployment, early retirement, judgments and settlements and the cost of liability insurance as it relates to property and casualty.

Proprietary Fund Types: Proprietary fund types are used to account for the District's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon income determination, financial position and cash flows. The following are the District's proprietary funds:

Enterprise Funds: Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the District has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the District has elected to apply all applicable Financial Accounting Standards Board (FASB) pronouncements, issued on or before November 30, 1989, except for those pronouncements which conflict with or contradict GASB pronouncements.

The following enterprise fund of the District is considered non-major:

School Nutrition Fund: This fund accounts for transactions related to the school lunch, breakfast and summer food programs authorized by Iowa Code 283A.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2010.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 3,500
Buildings	3,500
Improvements other than buildings	3,500
Furniture and equipment	3,500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred and Unearned Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of unspent grant proceeds as well as the succeeding year's property tax receivable and income surtax receivable not collected within sixty days after year end.

Unearned revenue on the Statement of Net Assets consists of unspent grant proceeds as well as the succeeding year's property tax receivable and income surtax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned - All amounts not included in other spendable classifications.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, expenditures exceeded the amount budgeted in the other expenditures functional area.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 244,831

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 116,125	-	-	116,125
Construction in progress	423,376	-	423,376	-
Total capital assets not being depreciated	539,501	-	423,376	116,125
Capital assets being depreciated:				
Buildings	6,821,283	1,235,798	-	8,057,081
Improvements other than buildings	304,980	-	-	304,980
Furniture and equipment	1,526,558	-	-	1,526,558
Total capital assets being depreciated	8,652,821	1,235,798	-	9,888,619
Less accumulated depreciation for:				
Buildings	2,777,132	228,724	-	3,005,856
Improvements other than buildings	156,818	5,987	-	162,805
Furniture and equipment	1,094,994	68,561	-	1,163,555
Total accumulated depreciation	4,028,944	303,272	-	4,332,216
Total capital assets being depreciated, net	4,623,877	932,526	-	5,556,403
Governmental activities capital assets, net	\$ 5,163,378	932,526	423,376	5,672,528
Business type activities:				
Furniture and equipment	\$ 155,003	19,452	-	174,455
Less accumulated depreciation	146,120	3,430	-	149,550
Business type activities capital assets, net	\$ 8,883	16,022	-	24,905

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 92,840
Special	38,683
Other	43,841

Support services:

Student services	28,368
Instructional staff	54,157
Administration	4,775
Operation and maintenance of plant	2,411
Transportation	38,197

Total governmental activities depreciation expense	\$ 303,272
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Business type activities:

Food services	\$ 3,430
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(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2011 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 2,065,000	1,970,000	2,065,000	1,970,000	180,000
Revenue bonds	1,455,000	-	-	1,455,000	50,000
Early retirement	67,552	20,000	17,552	70,000	40,000
Total	\$ 3,587,552	1,990,000	2,082,552	3,495,000	270,000

General Obligation Bonds

Details of the District's June 30, 2011 general obligation bonded indebtedness are as follows:

Bond Issue of May 1, 2011				
Year ending June 30,	Interest Rates	Principal	Interest	Total
2012	0.55%	\$ 180,000	40,766	220,766
2013	0.80%	185,000	36,640	221,640
2014	1.15%	190,000	35,160	225,160
2015	1.50%	185,000	32,975	217,975
2016	1.85%	190,000	30,200	220,200
2017	2.10%	195,000	26,685	221,685
2018	2.35%	200,000	22,590	222,590
2019	2.55%	205,000	17,890	222,890
2020	2.75%	215,000	12,662	227,662
2021	3.00%	225,000	6,750	231,750
Total		\$ 1,970,000	262,318	2,232,318

Revenue Bonds

Details of the Districts' June 30, 2011 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Bond Issue of April 1, 2010				
Year ending June 30,	Interest Rates	Principal	Interest	Total
2012	3.00%	\$ 50,000	58,025	108,025
2013	3.00%	55,000	56,450	111,450
2014	3.00%	55,000	54,800	109,800
2015	3.50%	55,000	53,150	108,150
2016	3.50%	60,000	51,275	111,275
2017	3.50%	60,000	49,175	109,175
2018	3.50%	65,000	46,988	111,988
2019	3.88%	65,000	44,712	109,712
2020	3.88%	70,000	42,219	112,219
2021	4.25%	70,000	39,506	109,506
2022	4.25%	75,000	36,556	111,556
2023	4.25%	75,000	33,369	108,369
2024	4.25%	80,000	30,075	110,075
2025	4.25%	85,000	26,569	111,569
2026	4.70%	85,000	22,956	107,956
2027	4.70%	90,000	19,035	109,035
2028	4.70%	95,000	14,688	109,688
2029	4.70%	100,000	10,105	110,105
2030	4.70%	165,000	5,287	170,287
Total		\$ 1,455,000	694,940	2,149,940

The District has pledged future statewide sales, services and use tax revenues for the purpose of construction. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. The total principal and interest remaining to be paid on the notes is \$2,149,940. For the current year, no principal or interest was paid on the bonds and total statewide sales, services and use tax revenues were \$368,358.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) \$123,469 of the proceeds from the issuance of the revenue bonds shall be deposited to the Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited to the Project Account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a Revenue Account.
- c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

The District complied with all of the provisions during the year ended June 30, 2011.

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$190,609, \$188,402, and \$175,257, respectively, equal to the required contributions for each year.

(7) Other Post-Employment Benefits (OPEB)

Plan Description - The District operates a retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 76 active and 5 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is purchased through an outside provider. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual OPEB cost	\$	42,980
Interest on net OPEB obligation		(135)
Adjustment to annual required contribution		115
Annual OPEB cost		42,960
Contributions made		(39,960)
(Decrease) in net OPEB obligation		3,000
Net OPEB obligation beginning of year		(3,000)
Net OPEB obligation end of year	\$	-

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the District contributed \$39,960 to the medical plan. Plan members eligible for benefits were not required to contribute.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 43,000	106.98%	(3,000)
June 30, 2011	42,960	93.02%	-

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2011, the actuarial accrued liability was \$418,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$418,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,600,000, and the ratio of the UAAL to covered payroll was 16.1%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumption includes a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) Termination Benefits

The District offered a voluntary early retirement plan to its employees. Eligible employees must have completed at least 25 years of continuous service to the District and must have reached the age of fifty-five on or before June 30, 2011. The application for early retirement was subject to approval by the Board of Education.

The employee shall receive a total benefit of \$30,000 payable in six installments over a three year period. At June 30, 2011, the District had obligations to three participants with a total liability of \$70,000.

(9) Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$182,815 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) **Financial Condition**

The Non-major Special Revenue Fund-Management Levy had a deficit fund balance at June 30, 2011 of \$9,511.

(12) **Accounting Change / Restatement**

The total beginning net assets of governmental activities and the beginning General Fund balance were increased by \$2,100 due to a recalculation of prior year payables.

Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	Capital Projects	Special Revenue, Physical Plant and Equipment Levy
Balances June 30, 2010, as previously reported	\$ 908,034	130,251
Change in fund type classification per implementation of GASB Statement No. 54	130,251	(130,251)
Balances July 1, 2010, as restated	<u>\$ 1,038,285</u>	<u>-</u>

Required Supplementary Information

Lynnville-Sully Community School District
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances
Budget and Actual - All Governmental Funds and Proprietary Funds
Required Supplementary Information
Year ended June 30, 2011

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts Original and Final	Final to Actual Variance- Positive (Negative)
Revenues:					
Local sources	\$ 3,621,420	189,452	3,810,872	3,420,955	389,917
State sources	2,070,144	2,106	2,072,250	2,386,726	(314,476)
Federal sources	159,938	77,402	237,340	219,750	17,590
Total revenues	5,851,502	268,960	6,120,462	6,027,431	93,031
Expenditures:					
Instruction	3,200,228	-	3,200,228	4,424,076	1,223,848
Support services	1,360,183	-	1,360,183	1,842,792	482,609
Non-instructional programs	1,144	262,106	263,250	328,404	65,154
Other expenditures	3,271,712	-	3,271,712	2,561,697	(710,015)
Total expenditures	7,833,267	262,106	8,095,373	9,156,969	1,061,596
Excess (deficiency) of revenues over (under) expenditures	(1,981,765)	6,854	(1,974,911)	(3,129,538)	1,154,627
Other financing sources, net	2,214,366	-	2,214,366	1,700,000	514,366
Excess (deficiency) of revenues and other financing sources over (under) expenditures	232,601	6,854	239,455	(1,429,538)	1,668,993
Balances beginning of year, as restated	1,525,290	69,777	1,595,067	840,995	754,072
Balances end of year	\$ 1,757,891	76,631	1,834,522	(588,543)	2,423,065

See accompanying independent auditor's report.

Lynnvile-Sully Community School District
Notes to Required Supplementary Information - Budgetary Reporting
Year ended June 30, 2011

This budgetary comparison is presented as Required Supplementary Information in accordance with *Governmental Accounting Standards* Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2011, expenditures in the other expenditures function exceeded the amount budgeted.

Lynnville-Sully Community School District
Schedule of Funding Progress for the Retiree Health Plan
Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	418,000	418,000	0.0%	2,600,000	16.1%
2011	July 1, 2009	-	418,000	418,000	0.0%	2,600,000	16.1%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation funded status and funding progress.

See accompanying independent auditor's report.

Other Supplementary Information

Schedule 1

Lynnville-Sully Community School District
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2011

	Special Revenue		
	Management Levy	Student Activity	Total
Assets			
Cash and pooled investments	\$ 29,915	156,775	186,690
Receivables:			
Property tax:			
Current year delinquent	574	-	574
Succeeding year	80,000	-	80,000
Accounts	-	3,611	3,611
Total assets	\$ 110,489	160,386	270,875
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	6,389	6,389
Salaries and benefits payable	-	1,733	1,733
Early retirement payable	40,000	-	40,000
Deferred revenue:			
Succeeding year property tax	80,000	-	80,000
Total liabilities	120,000	8,122	128,122
Fund balances:			
Restricted for:			
Management levy purposes	-	-	-
Student activities	-	152,264	152,264
Unassigned	(9,511)	-	(9,511)
Total fund balances	(9,511)	152,264	142,753
Total liabilities and fund balances	\$ 110,489	160,386	270,875

See accompanying independent auditor's report.

Schedule 2

Lynnville-Sully Community School District
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
Year ended June 30, 2011

	Special Revenue		
	Management Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 74,944	-	74,944
Other	36	315,071	315,107
State sources	28	-	28
Total revenues	75,008	315,071	390,079
Expenditures:			
Current:			
Instruction:			
Regular	57,979	-	57,979
Other	-	304,456	304,456
Support Services:			
Student	774	-	774
Instructional staff	546	-	546
Administration	4,033	-	4,033
Operation and maintenance of plant	29,219	1,398	30,617
Transportation	2,739	10,201	12,940
Non-instructional program	1,144	-	1,144
Total expenditures	96,434	316,055	412,489
Excess (deficiency) of revenues over (under) expenditures	(21,426)	(984)	(22,410)
Fund balances beginning of year, as restated	11,915	153,248	165,163
Fund balances end of year	\$ (9,511)	152,264	142,753

See accompanying independent auditor's report.

Schedule 3

Lynnville-Sully Community School District
Combining Balance Sheet
Capital Project Accounts
June 30, 2011

	Capital Projects			
	Statewide Sales, Services and Use Tax	Other Capital Projects	Physical Plant and Equipment Levy	Total
Assets				
Cash and pooled investments	\$ 490,165	\$ 205,741	113,450	809,356
Receivables:				
Property tax:				
Current year delinquent	-	-	413	413
Succeeding year	-	-	109,019	109,019
Income surtax	-	-	51,303	51,303
Due from other governments	85,549	-	-	85,549
Total assets	\$ 575,714	205,741	274,185	1,055,640
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	\$ -	2,100	430	2,530
Deferred revenue:				
Succeeding year property tax	-	-	109,019	109,019
Income surtax	-	-	51,303	51,303
Total liabilities	-	2,100	160,752	162,852
Fund balances:				
Restricted for:				
Debt service	123,469	-	-	123,469
School infrastructure	452,245	203,641	-	655,886
Physical plant and equipment	-	-	113,433	113,433
Total fund balances	575,714	203,641	113,433	892,788
Total liabilities and fund balances	\$ 575,714	205,741	274,185	1,055,640

See accompanying independent auditor's report.

Schedule 4

Lynnville-Sully Community School District
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Capital Project Accounts
Year ended June 30, 2011

	Capital Projects			Total
	Statewide Sales, Services and Use Tax	Other Capital Projects	Physical Plant and Equipment Levy	
Revenues:				
Local sources:				
Local tax	\$ 368,358	-	107,992	476,350
Other	31,341	210,209	911	242,461
State sources	-	-	21	21
Total revenues	399,699	210,209	108,924	718,832
Expenditures:				
Current:				
Support services:				
Instructional staff	-	-	680	680
Operation and maintenance of plant	-	-	5,565	5,565
Transportation	-	-	4,293	4,293
Other expenditures:				
Facilities acquisition	536,843	56,568	264,609	858,020
Interest and fiscal charges	345	-	-	345
Total expenditures	537,188	56,568	275,147	868,903
Excess (deficiency) of revenues over (under) expenditures	(137,489)	153,641	(166,223)	(150,071)
Other financing sources (uses)				
Casualty loss insurance proceeds	-	-	249,405	249,405
Operating transfers in (out)	(194,831)	50,000	(100,000)	(244,831)
Total other financing sources	(194,831)	50,000	149,405	4,574
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(332,320)	203,641	(16,818)	(145,497)
Fund balances beginning of year, as restated	908,034	-	130,251	1,038,285
Fund balances end of year	\$ 575,714	203,641	113,433	892,788

See accompanying independent auditor's report.

Schedule 5

Lynnville-Sully Community School District
Schedule of Changes in Special Revenue Funds, Student Activity Accounts
Year ended June 30, 2011

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Athletic Booster Club	\$ 28,802	39,498	35,597	32,703
Drill Team	975	4,532	3,487	2,020
ITED Incentives	3,235	171	-	3,406
Weightlifting	724	310	651	383
Instrumental Concerts	-	420	420	-
Instrumental Resale	189	177	182	184
Vocal Concerts	11	769	780	-
Music Booster Club	11,564	9,986	18,402	3,148
Music Boosters Uniforms	1,851	550	1,052	1,349
Academic Booster Club	5,841	4,865	7,421	3,285
High School Annual (Yearbook)	14,924	22,919	26,286	11,557
Junior High Annual	14	14	-	28
Speech and Drama	124	2,124	2,018	230
Cheerleaders	458	-	-	458
Co-Ed Athletics	9,589	47,971	44,086	13,474
Co-Ed Athletics - Uniforms	343	-	-	343
Basketball	2,228	14,003	13,367	2,864
Football	3,372	6,272	7,225	2,419
Baseball	-	3,244	3,244	-
Cross Country	346	2,521	2,492	375
Track	322	3,768	3,984	106
Golf	-	808	808	-
Wrestling	1,984	3,852	4,105	1,731
Volleyball	2,773	2,728	2,958	2,543
Softball	1,115	10,338	11,391	62
F.C.A.	147	350	251	246
F.F.A.	10,521	22,102	16,232	16,391
National Honor Society	310	1,037	1,154	193
High School Student Council	9,009	7,778	6,746	10,041
Junior High Student Council	2,186	11,620	12,033	1,773
Class of 2010	2,362	-	2,362	-
Class of 2011	6,843	6,358	10,048	3,153
Class of 2112	6,000	5,598	4,821	6,777
Class of 2013	2,066	5,479	-	7,545
Class of 2014	-	3,074	1,791	1,283
Class of 2018	50	-	-	50
Class of 2019	748	-	84	664
Class of 2020	131	22	153	-
Class of 2021	-	3,416	2,463	953
Spanish Club	-	1,460	795	665
Padlocks	745	443	356	832
Activity Card	3,688	-	-	3,688
Interest	6,887	243	1,731	5,399

Schedule 5

Lynnville-Sully Community School District
Schedule of Changes in Special Revenue Funds, Student Activity Accounts
Year ended June 30, 2011

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
After Prom Party	1,623	15,263	14,807	2,079
Math Club	2,550	8,883	8,660	2,773
Eighth Grade Banquet	494	-	-	494
Athletic Booster - LL and Soccer	4,913	12,354	12,924	4,343
Art Club	857	11,862	12,687	32
Hawk Talk	168	-	-	168
Jazz Band	166	160	272	54
Concession Stand	-	15,729	15,729	-
Totals	\$ 153,248	315,071	316,055	152,264

See accompanying independent auditor's report.

Schedule 6

Lynnville-Sully Community School District
Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds
For the Last Ten Years

	Modified Accrual Basis					
	2011	2010	2009	2008	2007	2006
Revenues:						
Local sources:						
Local tax	\$ 2,543,681	2,221,322	2,188,704	2,096,135	2,030,294	1,946,651
Tuition	388,430	324,431	304,670	279,487	286,278	270,715
Other	689,309	445,758	450,751	492,107	513,387	642,764
Intermediate sources	-	-	-	-	-	-
State sources	2,070,144	1,969,635	2,152,604	2,259,724	2,198,030	2,145,914
Federal sources	159,938	375,083	202,199	175,356	185,570	113,297
Total	<u>\$ 5,851,502</u>	<u>5,336,229</u>	<u>5,298,928</u>	<u>5,302,809</u>	<u>5,213,559</u>	<u>5,119,341</u>
Expenditures:						
Instruction:						
Regular	\$ 1,920,892	2,022,810	2,016,527	1,917,943	1,794,640	1,708,092
Special	651,363	696,243	697,974	665,827	656,680	766,259
Other	627,973	642,364	656,697	580,612	559,788	401,269
Support services:						
Student	67,618	96,625	90,332	81,065	79,132	75,984
Instructional staff	88,074	122,010	87,116	112,269	69,720	110,692
Administration	575,167	557,324	548,166	575,598	554,684	490,049
Operation and maintenance of plant	362,487	415,456	388,632	380,045	388,497	313,949
Transportation	266,837	336,608	271,362	269,564	337,613	312,777
Non-instructional programs	1,144	1,015	998	1,316	788	728
Other expenditures:						
Facilities acquisition	858,020	947,445	202,495	164,212	80,031	930,616
Long-term debt:						
Principal	2,065,000	140,000	135,000	130,000	125,000	120,000
Interest and other charges	165,877	142,525	106,755	112,280	117,592	122,693
AEA flowthrough	182,815	184,704	163,657	161,343	156,987	147,838
Total	<u>\$ 7,833,267</u>	<u>6,305,129</u>	<u>5,365,711</u>	<u>5,152,074</u>	<u>4,921,152</u>	<u>5,500,946</u>

See accompanying independent auditor's report.

Schedule 6

2005	2004	2003	2002
1,601,563	1,724,141	1,834,207	1,605,992
254,227	234,372	229,776	213,400
812,954	677,403	357,558	367,557
-	-	4,151	6,770
1,847,808	1,780,259	1,777,670	1,724,070
148,122	118,072	136,851	63,660
4,664,674	4,534,247	4,340,213	3,981,449

1,588,743	1,608,616	1,515,256	1,450,933
628,435	553,353	501,199	363,015
707,540	605,766	521,873	621,942
76,611	74,035	130,227	100,841
91,545	85,689	82,792	100,881
484,750	475,768	483,767	481,490
292,393	303,195	279,515	257,586
216,996	264,851	203,201	251,563
1,304	5,960	2,097	1,822
133,660	644,711	2,440,074	205,878
115,000	110,000	60,000	25,000
127,580	132,255	179,490	31,250
139,489	141,990	153,505	151,184
4,604,046	5,006,189	6,552,996	4,043,385

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And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With
Government Auditing Standards**

To the Board of Education of Lynnville-Sully Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Lynnville-Sully Community School District, Sully, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents and have issued our report thereon dated October 3, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lynnville-Sully Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lynnville-Sully Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Lynnville-Sully Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings we identified a deficiency in internal control over financial reporting we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in the accompanying Schedule of Findings as item (A) to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lynnville-Sully Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Lynnville-Sully Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Lynnville-Sully Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Lynnville-Sully Community School District and other parties to whom Lynnville-Sully Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Lynnville-Sully Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Van Maanen, Sietstra & Meyer, PC

Van Maanen, Sietstra & Meyer, PC
Certified Public Accountants

October 3, 2011

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCY:

- A. Segregation of Duties – The limited number of office personnel prevents a proper segregation of accounting functions necessary to assure adequate internal control. This is not unusual in school Districts of your size, but the Board should constantly be aware of this condition and realize that concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. Under these conditions, the most effective controls lie in the Board's knowledge of matters relating to the District's operations.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response - We will continue to investigate alternatives to this problem.

Conclusion - Response accepted.

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

Other Findings Related to Required Statutory Reporting:

1. Certified Budget - Expenditures for the year ended June 30, 2011, exceeded the certified budget amount in the other expenditures functional area.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted.
2. Questionable Expenditures - No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
3. Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
4. Business Transactions – No business transactions between the District and District officials or employees were noted.
5. Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.
6. Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.
7. Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
8. Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
9. Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy were noted.

Lynnvile-Sully Community School District
Schedule of Findings
Year ended June 30, 2011

10. Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.
11. Categorical Funding – No instances were noted of categorical funding used to supplant rather than supplement other funds.
12. Deficit Balance – The Special Revenue Fund-Management Levy had a deficit balance as of June 30, 2011.
- Recommendation – The District should continue to monitor this fund and investigate alternatives to eliminate this deficit.
- Response – We are monitoring this situation. We are currently analyzing alternatives to reverse the deficit balance.
- Conclusion – Response accepted.
13. Statewide Sales, Services and Use Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	908,034
Revenues/transfers in:			
Sales tax revenues	\$	368,358	
Other local revenues		31,341	399,699
			<u>1,307,733</u>
Expenditures/transfers out			
School infrastructure construction		536,843	
Other		345	
Transfers to other funds:			
Debt service funds		194,831	732,019
			<u>732,019</u>
Ending balance		\$	<u>575,714</u>

For the year ended June 30, 2011, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Rate of Levy	
	Reduction Per	
	\$1,000 of Taxable	Property Tax
	Valuation	Dollars Reduced
Debt service levy	\$ 2.41318	368,358